

AR29

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Piratininga Steam Plant—Light S.A.

Comparative Highlights

(Dollar amounts expressed in U.S. currency)

	1969	1968
	\$ millions	\$ millions
Property, plant and equipment at cost	962.1	931.9
Long-term debt	66.9	71.0
Shareholders' equity	636.6	600.8
Operating revenues	307.7	270.4
Capital expenditures	75.1	70.2
Net income	60.1	59.2*
Total cash dividends	24.6	17.6
Ordinary shares outstanding (average)†	21,150,016	21,080,065
Book value per ordinary share—December 31†	\$30.06	\$28.44
Net income per ordinary share†	\$ 2.84	\$ 2.81*
Cash dividends declared per ordinary share	\$ 1.25	\$ 1.00
Stock dividend per ordinary share	20%	—
Kilowatt-hours sold—millions	16,880	15,329

*Including in 1968 extraordinary credits of \$3.6 millions or 17¢ per share.

†A stock dividend of 20% was paid in June 1969. The 1968 figures have been restated in order to present a more meaningful comparison.

Directors

HERMANN J. ABS	Chairman, Deutsche Bank AG	Frankfurt on Main
J. H. A'COURT*	VICE-PRESIDENT, FINANCE	Toronto
PIERRE ANSIAUX	Member of the Bar of the Supreme Court of Belgium	Brussels
A. T. A. ANTUNES	President, Indústria e Comércio de Minérios S.A.	Rio de Janeiro
THIERRY BARBEY	Managing Partner, Lombard, Odier & Cie	Geneva
HENRY BORDEN*	Chairman, British Newfoundland Corporation Limited	Toronto
WALKER L. CISLER	Chairman, The Detroit Edison Company	Detroit
PAUL G. DESMARAIS	Chairman, Power Corporation of Canada, Limited	Montreal
JOHN F. GALLAGHER	Vice-President, International Operations, Sears-Roebuck and Co.	Chicago
ANTONIO GALLOTTI	VICE-PRESIDENT; President, Light—Serviços de Eletricidade S.A.	Rio de Janeiro
J. PETER GRACE	President, W. R. Grace & Co.	New York
LEWIS B. HARDER*	Chairman, International Mining Corporation	New York
W. C. HARRIS*	Chairman, Harris & Partners Limited	Toronto
LOUIS A. LAPOLTE	Chairman and President, Miron Company Ltd.	Montreal
PAUL E. MANHEIM*	Partner, Lehman Brothers	New York
BEVERLEY MATTHEWS*	Partner, McCarthy & McCarthy	Toronto
NEIL J. MCKINNON*	Chairman, Canadian Imperial Bank of Commerce	Toronto
LEO MODEL	Chairman, Model, Roland & Co., Inc.	New York
J. H. MOORE*	PRESIDENT	London, Ontario
JOHN G. PHILLIMORE	Managing Director, Baring Brothers & Co. Limited	London
JOHN M. SEABROOK†	Chairman and President, International Utilities Corporation	Philadelphia

Honorary Director

W. A. G. KELLEY	Toronto
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*Member of the Executive Committee †Resigned

as at April 7, 1970

Officers

J. H. MOORE
President

ANTONIO GALLOTTI
Vice-President

J. H. A'COURT
Vice-President, Finance

MEREDITH G. GLASSCO
Vice-President, Administration

L. A. ALLEN
Secretary

A. R. G. AMENT
Treasurer

R. R. SUTHERLAND
Comptroller

ABOUT THE NEW PRESIDENT

J. H. Moore, 54, was born in London, Ontario. He attended Ridley College at St. Catharines and Royal Military College of Canada, then studied accountancy with Clarkson, Gordon & Co. in the late 1930's in Toronto.

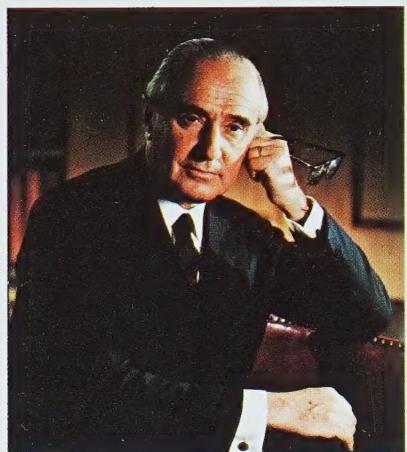
He served overseas in the Canadian Army retiring in 1945 with the rank of Lieutenant Colonel.

He re-joined Clarkson, Gordon and took his degree as a Chartered Accountant, becoming a Partner in 1950. He joined John Labatt Limited as Director of Finance and Treasurer in 1953. He became President in 1958 and Chairman of the Board in 1967. In September 1969, Mr. Moore became President of Brascan Limited. He remains Chairman of Labatt's.

He is a Director of Allied Breweries Ltd (U.K.), BP Canada (1969) Ltd., Bell Canada, Cadillac Development Corp. Ltd., Canadian Imperial Bank of Commerce, Simpson's Ltd. and Simpsons-Sears Ltd. He is also a member of the Ontario Economic Council.



J. H. MOORE,
President



ANTONIO GALLOTTI,
Vice-President

DIRECTORS' REPORT

Earnings & Dividends

In presenting this 57th annual review to shareholders, I am gratified as your new President to report on behalf of your Directors that \$60 million* was earned by Brascan in another successful year of operations.

Net income for 1969 was \$2.84 per share. This compares with \$2.81 per share earned in 1968 which included extraordinary credits totalling 17 cents per share. These figures have been adjusted for the effect of a stock dividend paid in June, 1969. Much of the improvement came from investment income. Electricity sales volume rose strongly, but was offset by higher costs which are expected to be recovered in 1970.

Regular cash dividends totalling \$1.00 per ordinary share were paid in 1969, plus an extra dividend of 25 cents. In addition to cash dividends, shareholders in 1969 received a stock dividend of one share for each five held. Detailed figures on earnings and operating income appear later in the report.

Diversification in Canada

Brascan, the Company's new name, is intended to reflect the corporate link between Brazil and Canada, through which the operating subsidiaries of the former Brazilian Traction have provided public utility services to the people of Brazil for 70 years, and made a vital contribution to the growth of the Brazilian economy. The name Brascan not only recognizes our continuing relationship with Brazil—it signifies a gradual expansion of Company investments in Canada.

*Monetary figures throughout this report are U.S. dollars, except where indicated otherwise.

Corporate reorganization is under way to realize this objective. Shareholders have already noticed some impact from this interesting new program. Brascan's investment in John Labatt Limited—which is itself diversified in the food and beverage field—has been increased to 32.5 per cent of Labatt's outstanding common shares. Labatt's latest nine-month earnings were up 32 per cent to Can. \$1.12 per common share.

Your Directors are exploring other investment opportunities in Canada, and developing a varied flexible program, ready for the time when Canadian federal tax changes can be settled.

During 1969 the Canadian Government issued a policy statement proposing a general revision of Canadian tax laws. Included in this statement was a proposal to alter the tax status of "foreign business corporations" such as Brascan. Pending final legislation, it is not possible to determine what annual level of Canadian tax will be payable by your Company in future years. We are making representations to the Federal Government concerning its proposals. It is to be hoped that the fiscal and other policies of the Government, in balance with tax reform, will provide the atmosphere and the incentives to offset tax costs and other high costs inherent in Canada, and that they will encourage capital formation by Canadians. In this competitive world, Canada should be a place where capital is permitted to make the greatest possible contribution to true economic growth.

Operations in Brazil

The Company's successful operations in 1969 were a measure of the substantial gains made by the Brazilian economy. The gross national product rose by an impressive nine per cent in real terms, while the rate of inflation was held at the previous year's level. Foreign trade improved dramatically, with exports up 20 per cent to yield a \$54 million trade surplus.

The President of Brazil, in his recent message to Congress, emphasized the great progress achieved in the field of electric energy. He also reaffirmed the need for maintaining the realistic rate policy instituted by the Revolutionary Government in 1965 in order to maintain the economic stability of electricity undertakings.

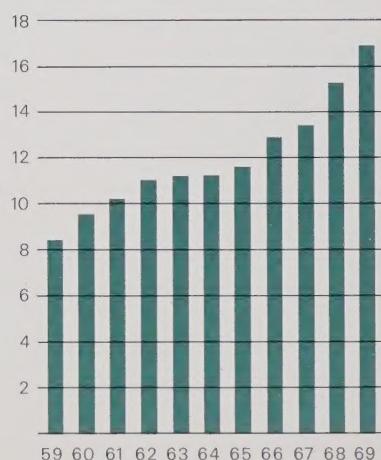
Much industrial development is taking place in the area served by our chief operating subsidiary in Brazil, Light—Serviços de Eletricidade S.A. The map on the inside back cover shows how our service area embraces São Paulo and Rio de Janeiro, Brazil's two largest cities and its industrial heartland. Light S.A. continued a major program of expansion of its transmission and distribution systems to serve a demand for electricity which has been growing at a rate of 10 per cent annually. Capital expenditures on this program rose to \$75 million from \$68 million in 1968. It is expected that \$74.5 million will be expended in the current year.

Sales of electricity rose 10 per cent to 16,880 million kilowatt-hours. The hydro-electric and thermal plants of Light S.A. generated 53 per cent of the

ELECTRIC ENERGY SOLD

1959-1969

BILLIONS OF KILOWATT-HOURS
1 BILLION=1,000 MILLION





total energy, and the balance was purchased from government-owned plants. The abnormally low rainfall of 1968 continued into 1969, reducing reservoirs to an extremely low level and increasing the over-all cost of power. Fortunately, wet season rainfall later in the year restored the reservoirs. Light S.A. was able to provide uninterrupted service to its customers throughout 1969 with the help of energy from Furnas and CESP, government-owned electric systems. This co-operation was made possible by the pooling of resources in the now inter-connected systems of the south-central region.

During the year, the ownership of Brascan's one remaining gas subsidiary, serving the city of Rio de Janeiro, was transferred to the State of Guanabara. The utility had been operated at a loss for several years and, owing to provisions of the State's constitution, it was not possible to establish a basis that would permit efficient service and profitable operation. After full discussion with the responsible authorities, the services were formally transferred to the State on June 1. The amount of the payment to be received by the Company is at present under negotiation with the State authorities.

Investment in Brazil

Following the sale of its telephone utility to the Brazilian Government in 1966, Brascan undertook to reinvest in Brazil \$65 million of the \$96 million sale price over a 21-year period. By the end of 1969 a cumulative total of \$7.2 million of these funds was reinvested or committed. During 1969 no major

additions were made to your Company's portfolio of investments in Brazil. However, Brascan increased its existing investment in Fabricas Peixe S.A., a food-processing and canning company, and entered into a technical service agreement with the H. J. Heinz Company covering its operation.

Our diversification program in Brazil will be expanded based on guidelines which provide for profitable growth of operations and which are consistent with the Government's long-range plans for economic development. This program will increase employment, bring new technology to Brazil, and help to develop export opportunities.

Management and Staff

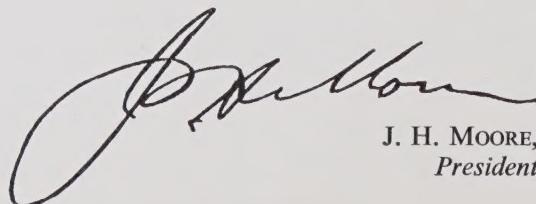
At the end of 1969 there were 24,653 employees of Brascan and its subsidiaries. Your Company continues to benefit from the loyal service of management and staff in Brazil, and we are most grateful for the high performance shown again during this past year by all employees of the Company.

The Company suffered a sad loss through the sudden and untimely death in October of the Honourable Robert H. Winters, the Chairman of the Board. During his short association with Brascan, Mr. Winters made a valuable contribution to the Company's progress and advanced significantly various steps of our corporate reorganization.

In April 1969, Mr. J. H. Moore was appointed a Director, and in September he was elected President and Chief Executive Officer of the Company. Mr. Moore, who had previously been Chairman and President of John Labatt Limited, remains Chairman of the Board of that company.

Dr. R. L. Hearn resigned as a Director in April. Over many years Dr. Hearn put his wide engineering experience at the disposal of the Board and his wise counsel will be greatly missed. Mr. Louis A. Lapointe, Chairman and President of Miron Company Ltd. of Montreal, was elected a Director at the annual meeting in June. In December, Mr. Neil J. McKinnon resigned from the position of Vice-President of the Company. The Board expresses its appreciation to Mr. McKinnon for having undertaken the additional responsibilities of that office and is gratified that he continues as a Director. In April of this year, Mr. John M. Seabrook, the Chairman and President of International Utilities Corporation, resigned as a Director of the Company. In accordance with the provisions on age limitation of Directors, Mr. Walker Cisler and Mr. Leo Model will not stand for re-election at the annual meeting next June. To all these Directors, the warm thanks of their colleagues on the Board are extended.

On behalf of the Board of Directors,



J. H. MOORE,
President

April 7, 1970



São Paulo regional headquarters of Light S.A.

REVIEW OF BRAZIL'S ECONOMY

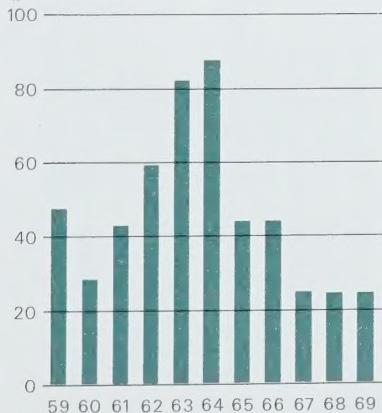
The performance of the Brazilian economy in 1969 was exceptionally good as measured by production and foreign trade figures. On a revised basis, the estimated growth in gross national product was nine per cent in real terms, compared with eight per cent in 1968 and an average four per cent in the previous four years. This remarkable advance appears to reflect the effectiveness of the Government's policy of promoting development without permitting the rate of inflation to increase.

While industrial production grew by 11 per cent during the year compared with 13 per cent in 1968, agricultural production increased by six per cent, a considerable improvement over the rate of less than two per cent in the previous year.

The automotive industry continued its steady advance. The output rose 25 per cent to a record 350,000 units. Steel ingot production amounted to 5 million tons, up 10 per cent from the preceding year. Brazil's production of cement totalled 8 million tons, an increase of seven per cent. Production of crude oil amounted to 64 million barrels, an increase of seven per cent.

Efforts to control the rise of internal price levels held the rate of inflation to approximately the 1968 level. As measured by the cost of living, the increase was 24 per cent. Wholesale prices increased by 22 per cent compared with

BRAZIL—
COST OF LIVING 1959-1969
ANNUAL PERCENTAGE INCREASE
RIO DE JANEIRO/SÃO PAULO AVERAGES
%



(Based on figures from Conjuntura Econômica)

25 per cent in 1968. Currency in circulation increased by 31 per cent and bank loans to the private sector expanded by 42 per cent.

According to preliminary data, federal revenue rose by 36 per cent and expenditure by 28 per cent, while direct income tax collections increased by 66 per cent. The treasury deficit, which in 1963 amounted to five per cent of the gross domestic product, was reduced in 1969 to 0.6 per cent of the gross domestic product, and was financed entirely from non-inflationary resources obtained from the sale of readjustable national treasury bonds.

Brazil's minimum wage was raised by 20 per cent in May, 1969, to compensate for the increased cost of living. This compares with a similar raise of 23 per cent in 1968. The Company's employees in Brazil were granted a wage increase of 26 per cent, effective January 1, 1970, compared with 25 per cent for 1969.

Foreign Trade

The Government's policy of flexible rates of exchange, together with other fiscal and credit incentives, resulted in a marked improvement in Brazil's foreign trade. Exports in 1969 reached an all-time record with a value exceeding \$2,260 million, 20 per cent greater than 1968 exports. Imports, which grew by four per cent, were valued at \$2,206 million, giving a trade surplus of approximately \$54 million, compared with a deficit of \$252 million during 1968. Results for five years are shown on the adjoining chart.

Of particular interest is the fact that the sharp rise in exports was not due to increased shipments of coffee—Brazil's greatest export—but to increases in cotton (49%), iron ore (45%) and manufactured goods (41%), among the more significant items.

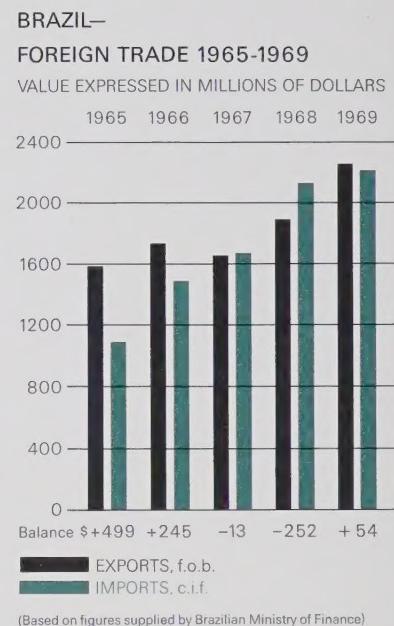
The table below shows Brazil's principal export commodities: more than 80 per cent of the 1969 exports were raw materials. However, greater diversification is being achieved as shown by the steady growth in the value of manufactured exports and the gradual reduction in the ratio of coffee exports to total exports. In 1969 coffee accounted for 31 per cent of exports by value compared with 45 per cent five years earlier. The current coffee crop has been seriously affected by frost and Brazil's stocks of surplus coffee have been reduced in size over the last few years.

Principal Exports

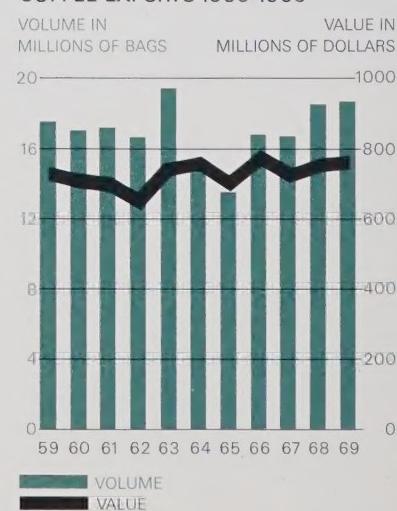
VALUE EXPRESSED IN MILLIONS OF DOLLARS

	1969	1968	1967	1966	1965
Coffee Beans	780	774	705	764	707
Soluble	33	23			
Manufactured Goods	283	201	157	104	110
Cotton	195	131	91	111	96
Iron Ore	149	107	100	100	103
Sugar	115	102	79	80	57
Cocoa Beans	106	46	59	51	28
Pinewood	72	65	48	56	52
TOTAL ALL EXPORTS	2,260	1,890	1,654	1,741	1,595

(Based on figures supplied by Brazilian Ministry of Finance)



BRAZIL—
COFFEE EXPORTS 1959-1969



(Based on figures supplied by Brazilian Ministry of Finance)



Tank-cars made by Fabrica Nacional de Vagões in São Paulo, one of our investment interests

FINANCIAL REVIEW 1969

The consolidated balance sheet of the Company and its subsidiaries as at December 31, 1969 and the related statements of consolidated income, retained earnings and source and application of funds for the year ended on that date, with comparative figures for the previous year, will be found on pages 19 to 26 of this Report, accompanied by the Auditors' Report to the shareholders. The financial statements are expressed in United States currency and all references to dollars in this Report are to United States dollars, except where otherwise indicated. References to cruzeiros are to new cruzeiros (NCr\$). At the present time one United States dollar is worth NCr\$4.49.

Although the financial statements are presented for 1969 in the same form as in the past, they now reflect the consolidation of the operations of separate utility and investment divisions. As of January 1, 1969 the Company transferred its interest in the Brazilian utility subsidiaries as well as the Brazilian Government obligations covering the unpaid portion of the sale price of the telephone utility, to a new wholly-owned Canadian subsidiary named Brazilian Light Limited, through which utility income and interest on the telephone obligations now flow to the parent. For the time being the Company's non-utility investments are held directly by the parent company itself and by its two wholly-owned investment subsidiaries in Brazil.

Translation of cruzeiro values to dollars

The external value of the cruzeiro fell during 1969 by about 14%, from NCr\$3.83 to NCr\$4.35 to the dollar. Measured by the change in the exchange rate at which cruzeiro revenues and expenses were translated into dollars in preparing the financial statements, the value of the cruzeiro was approximately 19% lower in 1969 than in 1968. The same rate dropped by 29% in 1968 over 1967.

Note 1 to the financial statements, on page 24, describes the procedures followed in translating into dollars revenues and expenses and assets and liabilities originating in cruzeiros (and other currencies, where applicable). No material change has been made in these procedures since 1953, when the

free exchange market was established in Brazil. The variations over the past nine years in the three principal exchange rates referred to in Note 1 have been as follows:

	Cruzeiros per dollar		
	Composite earnings rate	Average free market rate	Rate used in translating year-end working capital
1961	NCr\$0.188	NCr\$0.277	NCr\$0.319
1962	0.367	0.390	0.475
1963	0.578	0.578	1.200
1964	1.264	1.293	1.850
1965	1.902	1.904	2.220
1966	2.215	2.218	2.715
1967	2.673	2.686	3.220
1968	3.444	3.470	3.830
1969	4.096	4.114	4.350

Since the adoption by Brazil of the system of moving exchange rates in August 1968, variations in the Bank of Brazil's selling rate for the dollar have been limited to minor increases made at regular intervals as shown in the following table.

August 27, 1968 .	NCr\$3.65	July 7, 1969 .	NCr\$4.10
September 24, 1968 .	3.70	August 27, 1969 .	4.15
November 19, 1968 .	3.77	October 3, 1969 .	4.21
December 9, 1968 .	3.83	November 14, 1969 .	4.29
February 4, 1969 .	3.93	December 18, 1969 .	4.35
March 19, 1969 .	4.00	February 4, 1970 .	4.41
May 13, 1969 .	4.05	March 30, 1970 .	4.49

Remittances

Remittances from the subsidiaries in Brazil to the parent companies result from inter-company transactions which are eliminated from the consolidated financial statements. These however and all other remittances from Brazil were made in full on their due dates in 1969.

Remittances to the parent companies included interest and sinking fund payments on the debenture debt of the electric subsidiary (Light—Serviços de Eletricidade S.A.) as well as dividends paid by that subsidiary. Light's debenture debt is fully registered as foreign investment by the Central Bank of Brazil and was serviced normally in 1969. The Company's equity investment in Light is only partially registered and dividends remitted in dollars related only to the registered portion of the shares in question. This situation remained unaltered during 1969. Registration of the larger part of the unregistered portion is still under discussion with the Central Bank.

The Company received no remittances in 1969 from the non-utility investment subsidiaries in Brazil but most of the capital initially invested in these subsidiaries was duly registered as foreign investment by the Central Bank in the latter part of the year. Some subsequent increases in that capital have also been registered while applications for registration of other increases are presently under review by the Central Bank. One such increase registered in 1969 arose through the transfer to one of the investment subsidiaries of the capital represented by the registered debenture debt of the subsidiary which formerly carried on the gas service in São Paulo.

The Company continues to receive promptly on their maturity dates all payments due under the 1966 agreement covering the sale of the telephone utility to the Government of Brazil.



A Light S.A. serviceman with his truck in Rio de Janeiro

Remittances made by Light to third parties in 1969 included some \$12.6 million to service outstanding indebtedness to the World Bank and USAID. The USAID debt is solely an obligation of Light, but the debt to the World Bank is an obligation of the parent company which has been serviced by Light since mid-1965 under the terms of the Obligors Agreement of that year. As of the date of this Report the original World Bank loans totalling \$120,390,000 had been reduced to \$37,228,000 (including \$6,630,000 maturing over the balance of 1970).

Statement of Consolidated Income

Net income for 1969 amounted to \$60,060,201 (\$2.84 per share) compared with \$55,553,647 (\$2.64 per share) excluding extraordinary credits of \$3,631,844 (\$0.17 per share) in 1968. Electric utility operations continue to account for the larger part of net income but as shown below, the share contributed by investment income increased in 1969 over 1968.

	Net Income			
	1969		1968	
	000's of dollars	\$ per share	000's of dollars	\$ per share
Electric utility operations . . .	44,348	2.10	43,047	2.04
Other utility operations . . .	(1,034)	(.05)	(1,239)	(.06)
Non-utility operations				
Interest on telephone sale price	4,567	.22	4,772	.23
Investment income (including Brazilian Light Limited and Light) . . .	12,728	.60	9,254	.44
Depreciation and taxes of investment subsidiaries, less sundry credits . . .	(549)	(.03)	(281)	(.01)
	60,060	2.84	55,553	2.64
Extraordinary items			3,632	.17
Net income	<u>60,060</u>	<u>2.84</u>	<u>59,185</u>	<u>2.81</u>

The difference between the 1968 per share figures shown on the previous page and the corresponding amounts appearing in the 1968 Annual Report is attributable to the 20% stock dividend paid on June 27, 1969.

It will be noted that the increase in net income of \$4,506,554 (excluding extraordinary credits) which occurred in 1969 arose in the following sections of the Statement of Consolidated Income:

Increase in Operating Income	\$ 410,659
Increase in Other Income	\$3,070,408
Decrease in Income Deductions	\$1,025,487
	<u>\$4,506,554</u>

Operating Income

Electric operating income in 1969 was \$55,944,308, \$846,805 more than in 1968. (The difference between electric operating income and total 1969 operating income of \$54,393,271 represents operating losses of the gas service and the Corcovado railway plus sundry other charges which in total increased by \$436,146 in 1969.)

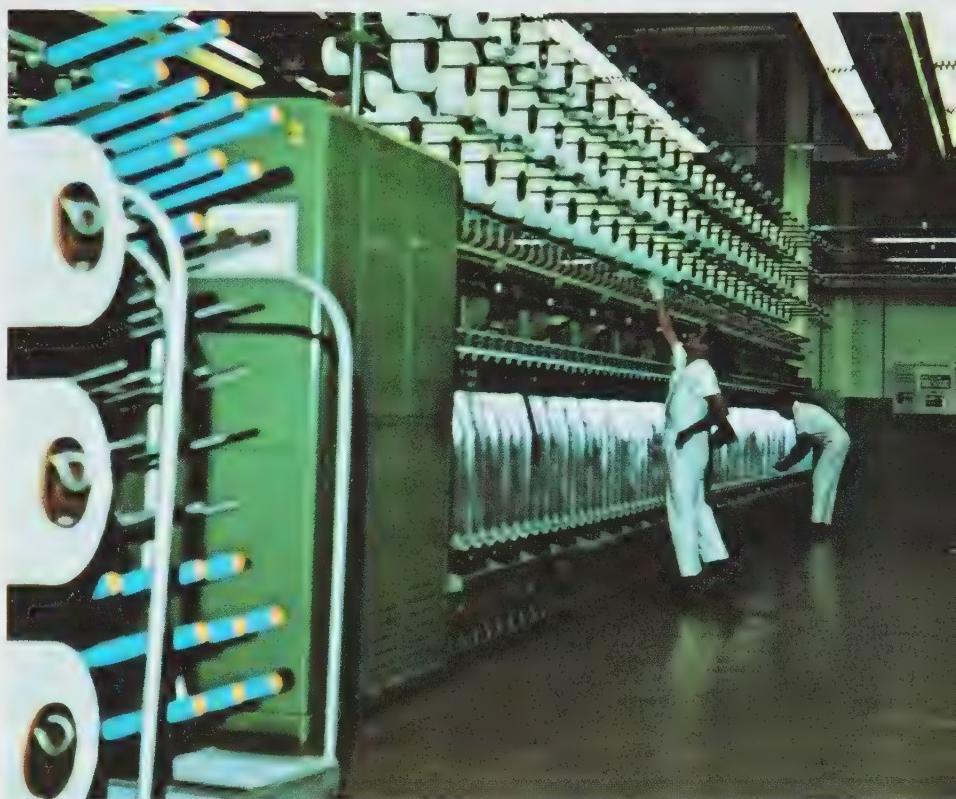
Electric rates were increased on July 1, 1969 to reflect the monetary correction recorded by Light in January 1969 and were also adjusted to permit recovery of certain cost increases as permitted by the regulations in force. These new rates, supplemented by the return of prior years' excess billings, did not however provide sufficient operating revenues in 1969 to cover the "cost of service" as defined in the regulations, and there was a deficiency in earnings of NCr\$17,523,540 equivalent, at the NCr\$4.096 translation rate, to \$4,277,853. The actual \$846,805 improvement in electric operating income would therefore have been increased to \$5,124,658 if the rates had been set at the levels required to cover allowable operating expenses and taxes, depreciation, reversion and remuneration on the rate base.

The \$4,277,853 deficiency was attributable primarily to the abnormally low rainfall in the 1968-1969 rainy season which caused substantial reductions in river flows and water storages. These conditions in turn increased the quantity of power which had to be purchased from Government plants as well as the quantity of fuel oil consumed in the Piratininga steam plant to levels which exceeded the estimated quantities taken into account in the general rate revision of August 1, 1968. The resulting increase in operating expenses was only partially offset by the substantial increase which occurred in kilo-watt-hour sales.

In its application for the next general rate revision which is expected to take effect on June 1, 1970, the Company will seek recovery of the 1969 earnings deficiency over the last seven months of the current year. Pending such general rate revision, increased operating expenses applicable to the current year are being recovered through surcharges on rates.

Reference should be made to Note 3 to the financial statements and to the 1964 to 1967 Annual Reports for a description of the "service at cost" system of rate determination.

The rate base of Light is still provisional, pending completion of the work of the Government commission engaged in determining the cruzeiro value of the remunerable investment. Late in 1969 the commission completed its work in the Rio Region of Light up to December 31, 1964. Official publication of its conclusions is pending. Meantime the commission is progressing towards completion of its work in São Paulo as well as updating its findings in Rio.



Two of our investment interests: finishing acoustical panels in Eucatex fibre-board factory; and an internal view of Celfibras nylon factory

Other Income

Other income, as shown in the Income Statement, consists chiefly of investment income and interest on the balance of the sale price of the telephone utility. The sources of investment income were as follows:

	1969	1968
Portfolio and short-term investments outside Brazil		
—dividends and interest	\$ 7,042,965	\$5,853,522
Cruzeiro items—		
Interest and profit on short-term investments	3,632,111	2,748,051
Dividends	332,673	330,535
Profit on sale—portfolio transactions	1,278,146	205,293
Miscellaneous	441,717	116,557
	<u>\$12,727,612</u>	<u>\$9,253,958</u>

Income Deductions

The income deductions appearing in the Income Statement include three interest items, the foreign exchange adjustment and the interest of the minority shareholders of Light in 1969 profits.

Interest on long-term debt is the interest on the Company's indebtedness to the World Bank and on Light's indebtedness to USAID. The credit for interest charged to construction represents interest capitalized on the year-end balances of construction work in progress, the cruzeiro equivalent of which will eventually be added to the rate base. This calculation is made at a rate of 10% per

annum on company funds and the applicable contractual rate on borrowed funds. Reversion interest (\$3,946,875 in 1969) is interest at 6% per annum on reversion monies recovered in rates since 1965 and expended on plant expansion. Such interest is not recoverable in rates and must be paid out of the remuneration earned on the rate base.

The foreign exchange adjustments item of \$2,730,667 appearing in the Income Statement represents the excess of profits resulting from the application of the translation procedures adopted over losses from the same source. With a depreciating cruzeiro such profits arise whenever long-term cruzeiro liabilities are liquidated. They can also arise when assets subject to monetary correction (such as short-term cruzeiro obligations) mature. Losses normally arise from the translation of year-end cruzeiro working capital to dollars at current exchange rates and from recording the utilization of cruzeiro assets (such as materials and supplies) at lower dollar equivalents than those at which they were initially recorded.

The interest of the minority shareholders in Light profits increased from \$7,428,283 in 1968 to \$9,180,148 in 1969. This increase is attributable primarily to the public issue of Light shares made in January, 1969 which increased the overall minority interest from 13.42% to 16.47%.

Comparative Statement of Consolidated Income

The following table summarizes the Statement of Consolidated Income over the past five years, since the "service at cost" system of rate determination was established.

COMPARATIVE STATEMENT OF CONSOLIDATED INCOME

	YEAR ENDED DECEMBER 31				
	1969 (000)	1968 (000)	1967 (000)	1966 (000)	1965 (000)
Operating revenues	\$307,688	\$270,424	\$267,875	\$238,383	\$183,500
Operating revenue deductions					
Operating expenses including income taxes	211,070	177,162	171,505	150,097	114,386
Depreciation	22,589	21,426	20,377	32,414	27,121
Reversion	19,636	17,853	18,128	15,978	13,896
	253,295	216,441	210,010	198,489	155,403
Operating income	54,393	53,983	57,865	39,894	28,097
Other income	17,599	14,528	10,781	10,788	3,108
Net income before income deductions	71,992	68,511	68,646	50,682	31,205
Income deductions	11,932	12,957	17,075	14,303	11,725
Net income before extraordinary items	60,060	55,554	51,571	36,379	19,480
Extraordinary items—credit			3,631		
Net income for year	\$ 60,060	\$ 59,185	\$ 51,571	\$ 36,379	\$ 19,480

(In accordance with current accounting practice the \$18,815,426 loss on sale of the telephone utility charged to Retained Earnings in 1965 and the \$2,884,788 loss on abandonment of the Santos gas service included in Income Deductions in 1966 would be classified as extraordinary debits.)

Consolidated Balance Sheet

The Consolidated Balance Sheet shows that the book value of total shareholders' equity increased during 1969 by \$35,785,126 from \$600,765,680 (\$28.44 per share) to \$636,550,806 (\$30.06 per share). The increase represents:

Net income for the year	\$ 60,060,201
Cash dividends at \$1.00 plus \$0.25 extra per common share (including \$0.75 on 3,524,498 shares issued as a stock dividend on June 27) and Can. \$6.00 per preference share	<u>24,654,012</u>
	\$ 35,406,189
Stock options exercised	<u>378,937</u>
	<u>\$ 35,785,126</u>

Shareholders' equity is invested as follows:

	1969	1968
Electric utility	\$437,027,070	\$417,291,873
Gas utility	9,920,608	11,447,568
Telephone sale price	76,050,941	78,845,608
Non-utility	<u>113,552,187</u>	<u>93,180,631</u>
	<u>\$636,550,806</u>	<u>\$600,765,680</u>

In the analysis summarized above assets and liabilities transferred to Brazilian Light Limited were classified as electric, gas or telephone. The remaining assets and liabilities of Brascan Limited were considered to be non-utility. As a result the 1968 electric and non-utility totals shown differ from those appearing in the 1968 Annual Report.

The net non-utility assets shown above are included in the Consolidated Balance Sheet under the following headings:

	1969	1968
Other investments (see analysis on page 17)	\$ 52,164,954	\$ 46,902,144
Short-term investments and deposit receipts		
Dollars	38,266,150	31,142,537
Cruzeiros	2,654,466	1,561,717
Government of Brazil obligations	<u>23,490,530</u>	<u>13,620,378</u>
	<u>\$116,576,100</u>	<u>\$ 93,226,776</u>
Current liabilities less current and other assets	<u>3,023,913</u>	<u>46,145</u>
	<u>\$113,552,187</u>	<u>\$ 93,180,631</u>

The following comments will supplement the information given in the Financial Statements with respect to certain of the principal assets and liabilities.

Fixed Assets

Fixed assets less accumulated depreciation increased in 1969 by \$31,521,200 from \$621,883,146 to \$653,404,346. The increase is accounted for by the following factors.

Expenditures on expansion and improvement of the electric transmission and distribution systems . . .	\$ 75,074,064
Interest charged to construction . . .	2,529,504
	<u>\$ 77,603,568</u>
Less:	
Provision for depreciation	\$ 22,588,991
Net book value of gas plant in Rio de Janeiro, transferred to the State of Guanabara	23,255,193
Other changes, including net salvage on retirements	<u>238,184</u> <u>46,082,368</u>
	<u>\$ 31,521,200</u>

The \$75,074,064 of electric capital additions included both expenditures under the 1969 capital budget and expenditures resulting from commitments incurred under prior years' budgets. Total capital expenditures in the preceding four years were—

1968	\$70,209,000	1966	\$43,019,000
1967	59,613,000	1965	26,947,000

The electric capital budget authorized for 1970 is \$74,500,000, all of which will be financed from internal sources.

Unrealized Balance of Assets of Gas Services

The amount of \$26,923,227 represents the book value of the unrealized balance of the expropriated assets of the São Paulo gas service plus the net book value of the gas plant in Rio de Janeiro which was transferred to the State of Guanabara on June 1, 1969. Its components are—

Unrealized balance of São Paulo assets.	\$ 5,970,060
Net book value of Rio plant	\$23,255,193
Less portion financed by the State of Guanabara (net)	<u>2,307,558</u>
	<u>\$20,947,635</u>
Other Rio assets	<u>5,532</u> <u>20,953,167</u>
	<u>\$26,923,227</u>

A substantial portion of the \$34,389,005 amortization provision accumulated prior to 1953 (and described in Note 5 to the Financial Statements) relates to the gas plant in Rio de Janeiro. Such portion was deducted from the book value of the above assets in arriving at the \$9,920,608 of shareholders' equity shown on the previous page as invested in the former gas utilities.

The indemnities receivable by the Company for its former gas assets have not yet been determined but no material net loss on final settlement is anticipated.

Receivable on Sale of Telephone Utility

At the end of 1969 \$20,264,846 of the \$96,315,787 sale price of the telephone utility had matured and been paid. The balance of \$76,050,941 was carried in the Balance Sheet under the following headings:

Investments and other assets	\$73,088,594
Current assets	
Notes due in one year	1,502,749
Proceeds of notes discounted	1,459,598
	<u>\$76,050,941</u>



A secretary with two paintings entered in the Light S.A. art competition; and a company teacher and young employees in a commercial class

The Company is obliged to reinvest in Brazil some \$65,000,000 of the \$96,315,787 sale price over the period from 1966 to 1986. To the end of 1969 some \$7,200,000 had been reinvested or committed for reinvestment in and through one of the investment subsidiaries in Brazil.

Other Investments

The following table shows the composition of the Other Investments carried in the 1968 and 1969 Balance Sheets.

	1969	1968
Investments outside Brazil		
John Labatt Limited	\$21,191,449	\$21,191,449
Other Canadian equities	11,289,900	8,886,120
Bonds and debentures	5,648,880	5,998,630
Other investments	1,109,334	1,136,353
	<hr/> \$39,239,563	<hr/> \$37,212,552
Investments in Brazil		
Celanese do Brasil	3,149,960	3,149,836
Fabricas Peixe (food processing) . .	2,567,297	43,478
FNV (heavy equipment manufacturing)	2,615,609	2,190,782
Other minority positions	3,491,360	3,286,136
Portfolio holdings—listed shares . .	1,101,165	1,019,360
	<hr/> \$52,164,954	<hr/> \$46,902,144
Light holdings in State-owned electric companies	4,233,293	4,233,292
	<hr/> \$56,398,247	<hr/> \$51,135,436

Working Capital

The Statement of Consolidated Source and Application of Funds on page 22 shows the components of the 1969 increase in working capital of \$14,879,340 which reflects an increase in current assets of \$27,066,751 less an increase in current liabilities of \$12,187,411.

Capital Stock

The authorized capital of the Company was altered by Supplementary Letters Patent dated June 23, 1969 which confirmed an increase in the total number of authorized ordinary shares from 20,000,000 to 30,000,000 as well as the creation of 5,000,000 shares of a new class of second preferred shares of the par value of Can.\$20 each.

Except for the stock dividend paid in June 1969, the only change in the total amount of the issued capital arose through the issue of shares under the stock option plan as shown in Note 9.

Retained Earnings

Retained earnings increased in 1969 by \$31,881,691 from \$413,675,191 to \$445,556,882. This increase corresponds to profits retained in the business or used to repay debt, less the amount of retained earnings capitalized in respect of the stock dividend paid on June 27, 1969, as follows:

Reduction in long-term debt (see below)	\$10,382,335
Increase in long-term debt payable within one year	<u>1,695,187</u>
Debt repayments	\$ 8,687,148
Retained in the business	
In Brazil.	20,691,497
Outside Brazil	<u>6,027,544</u>
	\$35,406,189
Stock dividend at \$1 per new share issued.	<u>3,524,498</u>
	<u><u>\$31,881,691</u></u>

Minority Interest

The carrying value of the minority holdings in Light S.A. increased in 1969 by \$16,242,978. The table below indicates how this increase arose.

New share subscriptions (chiefly the NCr\$55,000,000 public issue of January, 1969)	\$12,847,016
Less instalments unpaid at December 31, 1969	<u>1,218,930</u>
	\$11,628,086
Minority interest in 1969 profits of Light S.A.	<u>9,180,148</u>
	\$20,808,234
Light dividends paid to minority shareholders	<u>3,685,415</u>
	\$17,122,819
Exchange and other adjustments	<u>879,841</u>
	<u><u>\$16,242,978</u></u>

Long-Term Debt

Details of the \$66,921,672 of outstanding long-term debt at the end of 1969 are provided on page 23. The total was reduced during the year by \$4,031,546 represented by:

Transfer of 1970 maturities to current liabilities	\$10,382,335
Less new borrowings (including \$6,307,798 from USAID)	<u>6,350,789</u>
	<u><u>\$ 4,031,546</u></u>

Brascan

LIMITED

AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME

FOR THE YEARS ENDED DECEMBER 31

EXPRESSED IN UNITED STATES CURRENCY

	1969	1968
OPERATING REVENUES:		
Electric	\$302,801,621	\$257,611,809
Gas	4,886,451	12,812,340
	<u>307,688,072</u>	<u>270,424,149</u>
OPERATING REVENUE DEDUCTIONS:		
Operating expenses	188,218,328	155,193,222
Income taxes (including withholding taxes) (Note 8)	22,852,080	21,968,641
Depreciation (Note 3)	22,588,991	21,425,748
Reversion (Note 3)	19,635,402	17,853,926
	<u>253,294,801</u>	<u>216,441,537</u>
OPERATING INCOME	<u>54,393,271</u>	<u>53,982,612</u>
OTHER INCOME:		
Interest under telephone sale agreement	4,567,107	4,772,032
Investment income	12,727,612	9,253,958
Miscellaneous (net)	304,162	502,483
	<u>17,598,881</u>	<u>14,528,473</u>
NET INCOME BEFORE INCOME DEDUCTIONS	<u>71,992,152</u>	<u>68,511,085</u>
INCOME DEDUCTIONS:		
Interest on long-term debt	4,065,099	4,172,544
Interest charged to construction—credit	(2,529,504)	(1,593,901)
Reversion interest (Note 3)	3,946,875	2,947,595
Foreign exchange adjustments (Notes 1 and 2)	(2,730,667)	2,917
Equity of minority shareholders	9,180,148	7,428,283
	<u>11,931,951</u>	<u>12,957,438</u>
NET INCOME FOR YEAR BEFORE EXTRAORDINARY ITEMS	<u>60,060,201</u>	<u>55,553,647</u>
EXTRAORDINARY ITEMS—credit		3,631,844
NET INCOME FOR YEAR	<u>\$ 60,060,201</u>	<u>\$ 59,185,491</u>
AVERAGE ORDINARY SHARES OUTSTANDING	21,150,016	21,080,065(*)
NET INCOME PER ORDINARY SHARE:		
Before extraordinary items	\$2.84	\$2.64
Extraordinary items17
NET INCOME	<u>\$2.84</u>	<u>\$2.81(*)</u>

(*) Adjusted for stock dividend paid June 27, 1969

(see accompanying notes)

CONSOLIDATED BALANCE SHEET

EXPRESSED IN UNITED STATES CURRENCY

Assets	DECEMBER 31	
	1969	1968
FIXED ASSETS:		
Utility plant in service	\$920,082,697	\$899,639,933
Construction work in progress	38,527,978	28,302,824
Other physical property	3,537,284	3,911,805
Total property, plant and equipment at cost .	962,147,959	931,854,562
Less accumulated depreciation (Note 3) . . .	308,743,613	309,971,416
	653,404,346	621,883,146
Unrealized balance of assets of gas services, at book value (Note 4)	26,923,227	5,970,060
	680,327,573	627,853,206
Less accumulated amortization (Note 5) . . .	34,389,005	34,389,005
	645,938,568	593,464,201
Rights, franchises, contracts and goodwill . . .	1	1
	645,938,569	593,464,202
INVESTMENTS AND OTHER ASSETS:		
Receivable on sale of telephone utility (Note 6)	73,088,594	76,050,941
Other investments at cost less amounts written off (Note 7)	56,398,247	51,135,436
Securities and cash on deposit with trustee under trust indentures	5,624,310	5,824,310
Sundry assets, including long-term receivables	8,604,095	8,766,844
Deferred charges	4,396,934	4,385,968
	148,112,180	146,163,499
CURRENT ASSETS: (Note 8)		
Cash	16,476,895	13,469,885
Short-term investments and deposit receipts .	68,625,829	61,370,774
Government of Brazil obligations	44,761,776	40,675,265
Accounts receivable	38,067,586	28,618,125
Materials and supplies at average cost	23,265,861	19,997,147
	191,197,947	164,131,196

On behalf of the Board:

J. H. MOORE
N. J. MCKINNON } Directors

(see accompanying notes)

\$985,248,696

\$903,758,897

CONSOLIDATED BALANCE SHEET

EXRESSED IN UNITED STATES CURRENCY

	DECEMBER 31
	<u>1969</u>
	<u>1968</u>
SHAREHOLDERS' EQUITY:	
Capital (Notes 9 and 10)	
Authorized—	
1,338 6% cumulative convertible preference shares of a par value of Can. \$100 each (1968—2,970 shares)	
5,000,000 second preferred shares of a par value of Can. \$20 each	
30,000,000 ordinary shares of no par value (1968—20,000,000)	
Issued and outstanding—	
1,338 6% preference shares (1968—2,970 shares)	\$ 133,800 \$ 297,000
21,170,474 ordinary shares (1968—17,597,598 shares)	190,860,124 186,793,489
	190,993,924 187,090,489
Retained earnings	445,556,882 413,675,191
	636,550,806 600,765,680
MINORITY INTEREST IN SUBSIDIARY COMPANY	62,926,227 46,683,249
CONTRIBUTIONS IN AID OF CONSTRUCTION	31,442,797 30,912,193
ACCUMULATED REVERSION (Note 3)	95,071,795 71,489,518
LONG-TERM DEBT (per attached statement)	66,921,672 70,953,218
DEFERRED CREDITS	6,053,650 8,860,701

CURRENT LIABILITIES:

Accounts payable and accrued charges . . .	41,024,812	35,504,616
Income and other taxes payable	27,168,921	23,154,281
Long-term debt payable within one year . . .	10,174,471	8,479,284
Interest and dividends due and accrued . . .	7,913,545	6,956,157
	<hr/>	<hr/>
	86,281,749	74,094,338
(see accompanying notes)	<hr/>	<hr/>
	\$985,248,696	\$903,758,897

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

FOR THE YEARS ENDED DECEMBER 31

EXPRESSED IN UNITED STATES CURRENCY

FUND PROVIDED	<u>1969</u>	<u>1968</u>
Funds provided from operations:		
Net income for year	\$ 60,060,201	\$ 59,185,491
Add (deduct):		
Depreciation	22,588,991	21,425,748
Reversion	19,635,402	17,853,926
Interest charged to construction—credit	(2,529,504)	(1,593,901)
Reversion interest	3,946,875	2,947,595
Equity of minority shareholders	<u>9,180,148</u>	<u>7,428,283</u>
	112,882,113	107,247,142
Current portion of sale price of telephone utility	2,962,347	2,794,667
Customers' contributions in aid of construction	2,709,996	4,425,499
Long-term borrowings	6,350,789	10,848,805
Decrease in sundry assets	162,749	976,269
Share capital issued	378,937	682,538
Increase in holdings of minority shareholders in subsidiary's capital	<u>11,628,086</u>	<u>126,974,920</u>
	137,075,017	126,974,920
FUND USED		
Dividends—preference shares	9,686	18,418
—ordinary shares	24,644,326	17,559,760
Subsidiary dividend paid to minority shareholders	3,685,415	3,818,354
Capital expenditures	75,074,064	70,208,795
Reduction in long-term debt	10,382,335	12,682,526
Increase in other investments	5,262,811	7,584,739
Decrease in deferred credits	2,678,884	3,185,380
Miscellaneous changes in various asset and liability accounts	458,156	(1,164,138)
Increase in working capital	<u>14,879,340</u>	<u>13,081,086</u>
	\$137,075,017	\$126,974,920

(see accompanying notes)

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31
EXPRESSED IN UNITED STATES CURRENCY

	1969	1968
BALANCE AT BEGINNING OF YEAR	<u>\$413,675,191</u>	\$372,067,878
NET INCOME FOR YEAR	<u>60,060,201</u>	59,185,491
	<u>473,735,392</u>	<u>431,253,369</u>
DEDUCT:		
Dividends:		
Cash		
Preference shares—(Can. \$6.00 per share)	9,686	18,418
Ordinary shares —(U.S. \$1.25 per share)	<u>24,644,326</u>	17,559,760
Stock		
Ordinary shares —(U.S. \$0.20 per share) (Note 10)	<u>3,524,498</u>	<u>28,178,510</u>
BALANCE AT END OF YEAR	<u>\$445,556,882</u>	<u>\$413,675,191</u>

STATEMENT OF CONSOLIDATED LONG-TERM DEBT

EXPRESSED IN UNITED STATES CURRENCY

Amounts due to International Bank for Reconstruction and Development*—

	DECEMBER 31	
	1969	1968
4 1/4 %, 4 1/2 %, 4 7/8 % and 6 % loans, due semi-annually 1970 to 1978 inclusive, payable in U.S. funds	\$25,915,302	\$31,429,735
4 1/4 %, 4 1/2 % and 6 % loans, due semi-annually 1970 to 1978 inclusive, payable in Canadian funds—Can. \$10,975,965	10,614,887	12,076,490
4 1/2 % and 6 % loans, due semi-annually 1970 to 1978 inclusive, payable in sterling £175,520 and French francs 4,730,000	1,517,811	1,794,775
	<u>38,048,000</u>	<u>45,301,000</u>

*The amounts due to International Bank for Reconstruction and Development (secured by floating charge) are evidenced by obligations of Light—Serviços de Eletricidade S.A. under an Obligors Agreement dated June 9, 1965; by various Loan Agreements; and by the following Collateral Trust Bonds of Brascan Limited—

	U.S. Equivalent
Series A—payable in U.S. funds	\$25,915,302
Series B—payable in Canadian funds	10,614,887
Series C—payable in sterling and French francs	1,517,811

Light—Serviços de Eletricidade S.A.:

United States of America Alliance for Progress 5 1/2 % loan (secured by floating charge), payable in U.S. funds in equal semi-annual instalments from January 28, 1970 to July 28, 1984. While the Special Payments Procedure is in effect principal and interest are to be paid in cruzeiros at the applicable rate prevailing on the due date

38,573,676	33,556,200
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Supplier financing, due semi-annually 1970 to 1972 inclusive, payable in Canadian funds—Can. \$508,582

474,467	575,302
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Less amount payable within one year included under current liabilities

77,096,143	79,432,502
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10,174,471	8,479,284
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<u>\$66,921,672</u>	<u>\$70,953,218</u>
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Maturities and sinking fund requirements during the next five years are as follows:

1970—\$10,174,471; 1971—\$10,380,471; 1972—\$10,635,461; 1973—\$10,894,645; 1974—\$4,785,645.

(see accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. TRANSLATION OF FOREIGN CURRENCIES

The Company's financial statements are expressed in United States currency. Assets and liabilities and revenues and expenses in currencies other than U.S. dollars are translated into U.S. funds on the following bases:

Fixed assets and related accumulated provisions for depreciation, amortization and reversion	At the rates of exchange prevailing when transactions giving rise to such items occurred; transactions in cruzeiros since December 31, 1952 have been translated at free market rates.
Other investments	
The major portion of materials and supplies	
Capital stock	
Contributions in aid of construction	
Long-term debt	
Government of Brazil and other cruzeiro obligations subject to monetary correction	Brazilian currency items (Note 2): December 31, 1969—at 4.35 cruzeiros to the dollar December 31, 1968—at 3.83 cruzeiros to the dollar
All other assets and liabilities (consisting principally of current assets and current liabilities)	Other items: At the rates of exchange prevailing at December 31.
Cruzeiro revenues (other than interest charged to construction) and cruzeiro expenses (other than depreciation, reversion and reversion interest)	
Depreciation for the year	At the composite earnings rate determined in the manner referred to below.
Reversion for the year, interest charged to construction and reversion interest	At the same rate as that used for the translation of the related assets.
Revenues and expenses other than those in cruzeiros	At the average free market rate.
Dividends (including dividends to minority holders of shares of the electric subsidiary)	At average monthly rates of exchange for the currencies involved.

The composite earnings rate referred to above is the rate resulting from translation into dollars of cruzeiro net income as follows:

	<u>Cruzeiros to the dollar</u>	
	<u>1969</u>	<u>1968</u>
(a) In respect of dollars purchased for remittance during the year, at the actual rates of exchange at which such dollars were purchased, the average of such rates being	4.061	3.397
(b) In respect of the balance of cruzeiro net income, at the average free market rate of exchange for the year, viz.	4.114	3.470
The resulting composite earnings rate was	4.096	3.444

2. TRANSLATION OF BRAZILIAN CURRENCY ITEMS AT DECEMBER 31, 1969 AND 1968

The system of moving exchange rates, which was adopted on August 27, 1968, continued in force throughout 1969. Under this system, the exchange rate of 3.83 cruzeiros to the dollar at December 31, 1968, was reduced in stages during 1969 to a rate of 4.35 cruzeiros to the dollar on December 18, 1969, which was the rate prevailing at December 31, 1969. As indicated in Note 1, the rates of 4.35 cruzeiros to the dollar at December 31, 1969 and 3.83 cruzeiros to the dollar at December 31, 1968 were used to translate "All other assets and liabilities" in Brazilian currency. Under the system of moving exchange rates, further reductions have taken place on February 4, 1970 (to 4.41 cruzeiros to the dollar) and on March 30, 1970 (to 4.49 cruzeiros to the dollar).

3. ELECTRIC RATES, DEPRECIATION AND REVERSION OF FIXED ASSETS

New regulations enacted in November, 1964 under the Water Code implemented a regime of service at cost for electric utilities which became effective as of January 1, 1965. Since that date a level of allowable remuneration has been determined by regulation and earnings in excess of this level are to be available only for the purpose of meeting deficiencies of earnings or establishing rates in subsequent years; conversely, deficiencies of earnings are recoverable in future rates. The same regulations provide that in the determination of rates and in computing allowable earnings depreciation may be deducted at rates in excess of those used by the companies prior to 1965, which were based on the expected useful physical lives of the assets; the regulations also permit the inclusion in rates and the deduction in arriving at allowable earnings of a provision in respect of the ultimate reversion of electric properties to the concessionary authorities. Such provisions for depreciation and reversion and the allowed return on capital are based on the cruzeiro cost (or depreciated cost) of the investment after monetary correction to allow for the decline in the purchasing power of the cruzeiro.

Electric operating revenues in 1969, including the recovery of the balance of prior years' excess billings which had previously been deposited in official banks were NCr\$17,523,540 less than the estimated allowable level. No allowance has been made in 1969 operating revenues for the future recovery of this deficiency since its dollar equivalent will depend on the extent of inflation and future changes in Brazilian exchange rates. The electric rates may also be adjusted in future to reflect, as from January 1, 1965, the final determination by the regulatory authority of the remunerable investment. This determination has not yet been completed.

In 1969, as in 1968, depreciation was provided at the rate prescribed by the regulatory authority (approximately 3% of depreciable plant) to be written and recovered in operating revenues. Although the provisions for depreciation in 1965 and subsequent years, as directed by the regulatory authority, have each been in excess of the annual amounts that would have been provided on the basis (used prior to 1965) of expected useful physical lives, the economic usefulness of the electric properties to the Company is reduced by the full amount of the depreciation provision made in the accounts since future rates and allowable earnings must be computed by reference to the depreciated value of the plant in service.

The regulations require that the reversion monies generated by the rates be deposited in a special bank account and used either to pay the final indemnity upon reversion of the properties to the concessionary authorities or expended in approved expansion programs. With the permission of the regulatory authority the Company has withdrawn substantially all of the reversion monies to date and invested them in plant expansion.

Interest at 6% per annum on reversion monies invested in plant must also be deposited in the special reversion bank account subject to the same provisions for withdrawal for plant expansion. The charge of \$3,946,875 (1968—\$2,947,595) in the statement of consolidated income represents the interest for the year 1969.

4. UNREALIZED BALANCE OF ASSETS OF GAS SERVICES

This represents the unrealized balance of the expropriated assets of the São Paulo gas service and the net book value of the gas plant in Rio de Janeiro which was transferred to the State of Guanabara on June 1, 1969.

The indemnities receivable for these assets have not yet been determined, but no material net loss on final settlement is anticipated.

5. ACCUMULATED AMORTIZATION

This provision, accumulated prior to 1953, may be required to cover the undepreciated cost of certain properties upon their reversion at varying dates up to 1990 under the terms of some of the concessions of Light—Serviços de Eletricidade S.A. and Sociedade Anônima do Gás do Rio de Janeiro.

6. RECEIVABLE ON SALE OF TELEPHONE UTILITY

This amount with interest at 6% is receivable in equal quarterly instalments from April 1, 1971 to January 1, 1986 under an agreement dated March 26, 1966 whereby the Company's telephone utility was sold to an agency of the Federal Government of Brazil. Payments under the agreement carry the guarantee of that Government. The Company is obligated to re-invest 75% of this

amount in other enterprises in Brazil over the term of the agreement. The amounts receivable within one year under this agreement are included under current assets.

7. OTHER INVESTMENTS

These investments include marketable securities of \$38,022,850 (1968—\$35,910,463) with a quoted market value of \$78,632,757 (1968—\$59,213,074).

Subsequent to the year-end (February 20, 1970), the Company acquired 810,400 common shares of John Labatt Limited at a cost of \$22,655,329.

8. EXCHANGE REGULATIONS AND REMITTANCES

Remittances from Brazil are subject to the exchange regulations of that country. Working capital includes a net balance of approximately \$48 million at December 31, 1969 (\$41 million at December 31, 1968) in Brazil, the transfer of which is subject to such regulations. Interest and dividend payments from subsidiaries are subject to withholding taxes. Full provision has been made as at December 31, 1969 for withholding taxes on interest and on 1969 subsidiary earnings to the extent that distribution of such earnings is anticipated by way of dividend payments in 1970.

9. STOCK OPTIONS

During 1965 the Company reserved 500,000 of its unissued ordinary shares for the purpose of granting to officers and employees of the Company and its subsidiaries options to purchase shares of the Company at the market price in Canadian funds on the date each option is granted. All of the options granted to date have been exercised as indicated in the following table:

Option price, year of grant and year of expiry	No. of Shares	Exercised		
		Dec. 31, 1968	1969	Dec. 31, 1969
\$ 6.88 and \$7.00 1965-1975 . . .	258,000	245,500	12,500	258,000
\$12.875 1967-1977 . . .	76,000	51,000	25,000	76,000
	<u>334,000*</u>	<u>296,500</u>	<u>37,500</u>	<u>334,000</u>

*Includes 82,000 shares in 1965 and 15,000 shares in 1967 optioned to officers of the Company.

10. SHARE CAPITAL AND NAME CHANGE

During 1969 the Company obtained Supplementary Letters Patent increasing its authorized share capital by the creation of an additional 10,000,000 ordinary shares of no par value and 5,000,000 second preferred shares of a par value of Can. \$20.00 each and changing its name from Brazilian Light and Power Company Limited to Brascan Limited. During the year the Company issued 3,524,498 ordinary shares as a 20% stock dividend on its ordinary shares, 37,500 ordinary shares upon the exercise of stock options and 10,880 ordinary shares upon the conversion of 1,632 preference shares. Retained earnings of \$3,524,498, representing \$1 per new share issued, were capitalized with respect to the stock dividend.

11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration paid by the Company and its subsidiaries to the Company's directors, including directors holding salaried employment as officers, totalled \$612,109 in 1969. Remuneration paid to other senior officers totalled \$107,763.

Clarkson, Gordon & Co.

Chartered Accountants

Toronto 111

CANADA

AUDITORS' REPORT

To the Shareholders of
Brascan Limited

We have examined the consolidated balance sheet of Brascan Limited and its subsidiaries as at December 31, 1969 and the statements of consolidated income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
April 7, 1970

Clarkson, Gordon & Co.
Chartered Accountants.

LIGHT—SERVIÇOS DE ELETRICIDADE S.A.

Directors

ANTONIO GALLOTTI, *President*

J. J. MARQUES FILHO, *Vice-President*

RUY BESSONE P. CORRÊA

J. S. MONTEIRO

JOSÉ RUBEM FONSECA

ANTÔNIO DE ALMEIDA NEVES

J. S. FREITAS

ALBERTO DO AMARAL OSÓRIO

ALEXANDRE H. LEAL

A. A. DE AZEVEDO SODRÉ

M. H. MACKENZIE

R. E. SPENCE

OTHER SUBSIDIARY COMPANIES IN BRAZIL

EMPRÉSA TÉCNICA DE ORGANIZAÇÃO E PARTICIPAÇÕES S.A.

ORGANIZAÇÃO E EMPREENDIMENTOS GERAIS S.A.

BANCO BRASCAN DE INVESTIMENTO S.A. (a subsidiary of
Emprésa Técnica de Organizaçao e Participaçoes S.A.)

ANTONIO GALLOTTI—*President*

OPERATING STATISTICS OF LIGHT—SERVIÇOS DE ELETRICIDADE S.A.

	1969	1968	1967	1966	1965
Kilowatt-hours sold (millions)					
Residential	3,882	3,504	3,145	2,862	2,642
Commercial	2,827	2,554	2,266	2,149	2,032
Industrial	8,090	7,209	6,262	6,131	5,313
Public utilities and others	2,081	2,062	1,972	1,655	1,654
Total	16,880	15,329	13,645	12,797	11,641
Customers	2,846,602	2,662,376	2,535,389	2,403,078	2,285,025
Employees	24,549	23,449	22,949	21,562	19,319
Capacity of generating plants (kw)	2,121,357	2,121,357	2,147,813	2,146,823	2,146,823
Transmission lines (miles of circuit)	2,779	2,668	2,650	2,534	2,504
Distribution network					
Lines (miles of wire)	132,350	121,406	113,178	110,184	105,021
Transformer capacity (kva thousands)	3,564	3,190	2,846	2,504	2,285

Annual Meeting

The Annual Meeting of the Shareholders will be held at the Royal York Hotel, Toronto on Tuesday, June 2, 1970 at 11 o'clock in the morning.

Transfer Agents

National Trust Company, Limited Toronto, Montreal and Vancouver
 First National City Bank New York

Registrars

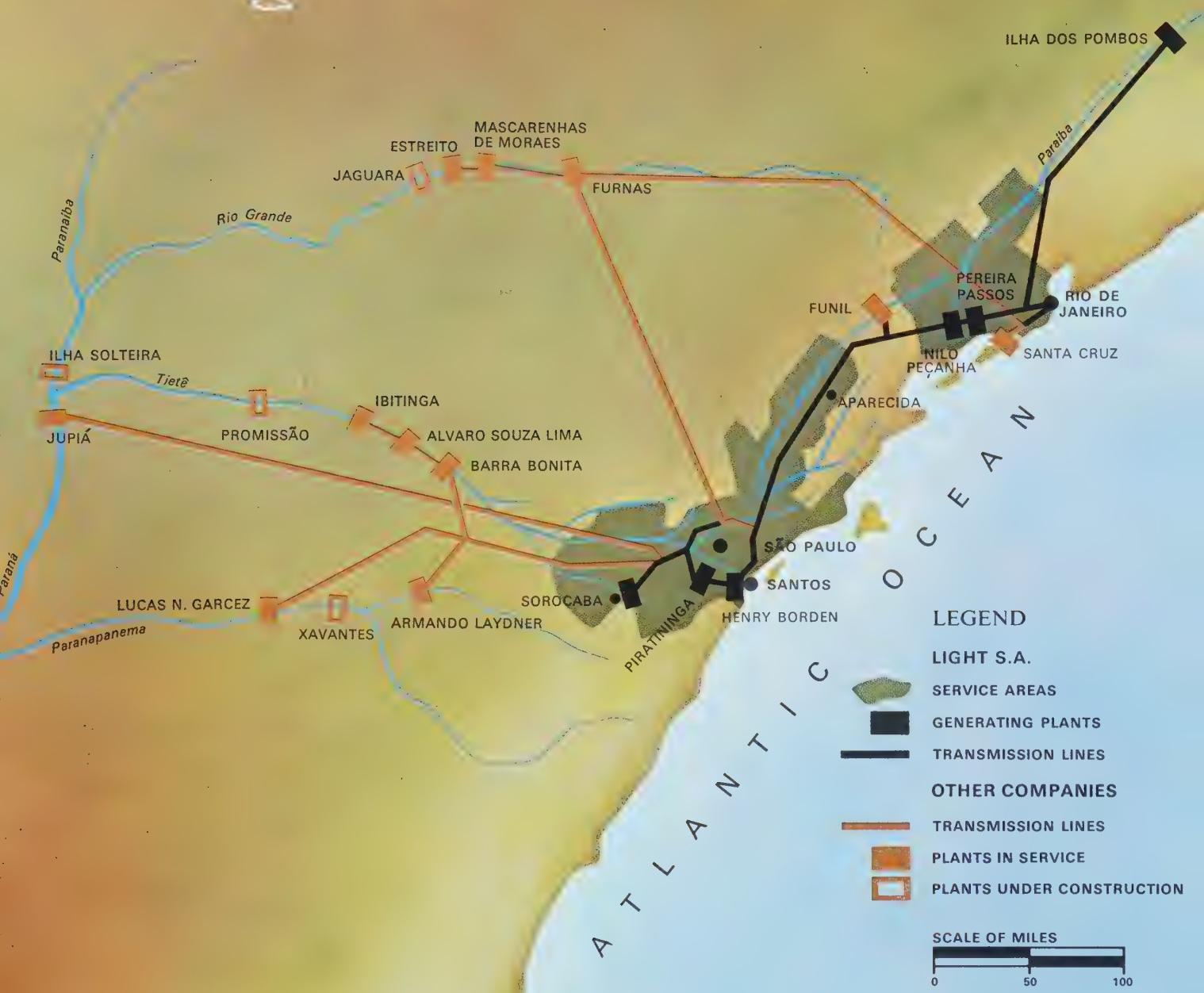
Canadian Imperial Bank of Commerce Toronto, Montreal and Vancouver
 Bankers Trust Company New York

Associated Companies

Canadian-Brazilian Services Limited Toronto and London
 American-Brazilian Suppliers, Inc. New York



LIGHT S.A. SYSTEM AND SOURCES OF POWER IN BRAZIL



AR29

Brascan
LIMITED

INTERIM REPORT

TO THE

SHAREHOLDERS

six months ended

June 30, 1969

BRASCAN LIMITED AND SUBSIDIARY COMPANIES

Statement of Estimated Consolidated Income

FOR THE SIX MONTHS ENDED JUNE 30

(Subject to year-end audit and adjustment)

	First Six Months 1969	First Six Months 1968
	(U.S. dollars—thousands)	
OPERATING REVENUES:		
Electric	\$142,632	\$125,451
Gas	5,039	6,800
	<u>147,671</u>	<u>132,251</u>
OPERATING REVENUE DEDUCTIONS:		
Operating expenses	90,054	75,918
Income taxes (including withholding taxes)	11,369	10,830
Depreciation and reversion	21,636	20,388
	<u>123,059</u>	<u>107,136</u>
OPERATING INCOME	<u>24,612</u>	<u>25,115</u>
OTHER INCOME:		
Interest under telephone sale agreement	2,283	2,386
Investment income	6,204	4,498
	<u>8,487</u>	<u>6,884</u>
NET INCOME BEFORE INCOME DEDUCTIONS	<u>33,099</u>	<u>31,999</u>
INCOME DEDUCTIONS:		
Interest on long-term debt	2,024	2,050
Foreign exchange adjustments	(762)	2,797
Equity of minority shareholders	3,954	3,407
	<u>5,216</u>	<u>8,254</u>
NET INCOME BEFORE EXTRAORDINARY ITEMS	<u>27,883</u>	<u>23,745</u>
EXTRAORDINARY ITEMS—credit	<u>—</u>	<u>3,247</u>
NET INCOME FOR PERIOD	<u><u>\$ 27,883</u></u>	<u><u>\$ 26,992</u></u>
AVERAGE ORDINARY SHARES OUTSTANDING (*)	<u>21,132,479</u>	<u>21,052,532</u>
NET INCOME PER ORDINARY SHARE:		
Before extraordinary items	\$ 1.32	\$ 1.13
Extraordinary items	<u>—</u>	<u>.15</u>
	<u><u>\$ 1.32</u></u>	<u><u>\$ 1.28</u></u>

(*) Adjusted for stock dividend paid June 27, 1969

BRASCAN LIMITED AND SUBSIDIARY COMPANIES

Statement of Estimated Source and Application of Funds

FOR THE SIX MONTHS ENDED JUNE 30

(Subject to year-end audit and adjustment)

	First Six Months 1969	First Six Months 1968
	(U.S. dollars—thousands)	

FUNDS PROVIDED

Funds provided from operations:

Net income for period	\$27,883	\$26,992
Provisions deducted in arriving at net income:		
Depreciation and reversion	21,636	20,388
Equity of minority shareholders	3,954	3,407
	<u>53,473</u>	<u>50,787</u>
Current portion of sale price of telephone utility	1,460	1,377
Customers' contributions in aid of construction	1,348	1,175
Long-term borrowings	3,852	5,529
Share capital issued	379	503
Increase in holdings of minority shareholders in subsidiary's capital	2,556	—
	<u>63,068</u>	<u>59,371</u>

FUNDS USED

Dividends—preference shares	6	10
—ordinary shares	14,090	8,769
Subsidiary's dividends paid to minority shareholders	3,685	3,818
Capital expenditures	30,712	33,640
Reduction in long-term debt	5,103	7,572
Increase in other investments	3,275	6,107
Increase in sundry assets	1,667	145
Decrease in deferred credits	1,890	2,725
Miscellaneous changes in various asset and liability accounts .	1,771	(718)
Increase (decrease) in working capital	869	(2,697)
	<u>\$63,068</u>	<u>\$59,371</u>

To the Shareholders

Your Directors submit herewith the statements of estimated consolidated income and source and application of funds for the six months ended June 30, 1969, with comparative figures for the previous year. These are expressed in terms of United States currency and are subject to year-end audit and adjustment.

Net income for the first half of 1969 is estimated at \$27,883,000, compared with \$26,992,000 (including \$3,247,000 of non-recurring income) in the previous year. After adjusting the number of shares outstanding for the 20% stock dividend paid June 27, 1969, net income per share was \$1.32 in first half 1969 compared with \$1.28 (including \$0.15 of non-recurring income) in first half 1968.

Brazil adopted a system of moving exchange rates in August, 1968, when the value of the currency was fixed at 3.65 cruzeiros to the U.S. dollar. Since that date the rate has shifted slightly eight times in a regular pattern to the current value of 4.15 cruzeiros to the U.S. dollar. Under the formula consistently followed by the Company this resulted in the translation of net income generated in cruzeiros during the six months ended June 30, 1969 at 3.961 cruzeiros to the dollar. The corresponding figure for the first six months of 1968 was 3.22 cruzeiros. For the whole year 1968 net income generated in cruzeiros was translated at 3.44 cruzeiros to the dollar.

Notwithstanding sales of 8,285,420,500 kwh (11.9% higher than sales of first half 1968) and despite the inclusion in operating revenues of the applicable portion of prior years' excess earnings which are being returned to the Company by the regulatory authorities over the year 1969, the "cost" of electric service in the first half of 1969 was not fully recovered in rates. The main reason for this was the fact that the rate increase to compensate for the impact of 1968 inflation on depreciation, reversion and remuneration did not come into force until July 1, 1969. A further contributing factor was low water levels, which made it necessary to purchase larger quantities of power than were provided for in fixing the rates in force. (Net energy purchases represented 45% of the load during the six-month period, compared with 33% in the same period of 1968.)

Considerable progress was made during the period under review by the Government commissions responsible for definitive determination of the electric rate base or remunerable investment.

Net income for the first six months of 1969 includes an operating loss of some \$318,000 suffered by the gas service in Rio de Janeiro during the five months preceding the transfer of the service to the State on June 1, 1969. No material loss on transfer of the related assets is anticipated, and no provision for such loss has been made.

The increase in investment income earned in the first half of 1969 over that earned in the same period of 1968 reflects primarily the improvement in the rate of return on short-term investments. No major non-utility investments were made during the period. The increase of \$3,275,000 in other (i.e. non-utility) investments shown in the funds statement reflects the investment of \$1,240,000 in the food processing operation in Brazil controlled by the Company and a net increase of some \$2,000,000 in portfolio holdings of marketable securities.

Foreign exchange adjustments shown by the income statement improved from a loss of \$2,797,000 in the first half of 1968 to a profit of \$762,000 in the corresponding period of 1969. This reflects in part the adoption in August, 1968 of the moving exchange rate system which results in the distribution of exchange losses throughout the various items of the income account. Exchange profits on cruzeiro transactions, resulting from the translation procedures followed, account for the balance of the improvement.

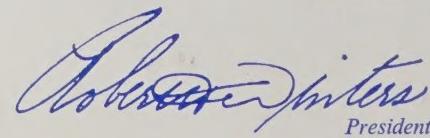
Shareholders are already aware of the public offering, made last January, of 55,000,000 shares of the Company's electric subsidiary in Brazil. The offering was subscribed in full and the funds statement reflects the receipt of \$2,556,000 representing the equivalent of subscription instalments paid in to June 30, 1969. The balance of the approximately \$14,000,000 subscribed is payable over the second half of the year.

Capital expenditures recorded during the first six months of 1969 amounted to \$30,712,000, as shown by the funds statement. Actual expenditures made and commitments incurred during the same period under the \$70,222,000 authorized 1969 capital budget covering expansion of the Company's electric transmission and distribution systems amounted to \$37,000,000.

Three cash dividends and a 20% stock dividend were declared on the ordinary shares of the Company during the period under review. The cash dividends totalled U.S. \$14,090,000 paid as follows:

April 30, 1969—regular—25¢ per share.....	\$ 4,395,700
June 27, 1969—extra—25¢ per share.....	4,405,625
July 31, 1969—regular—25¢ per share on shares outstanding after stock dividend paid June 27, 1969.....	5,288,675
	<u>\$14,090,000</u>

September 3, 1969



Robert J. Peters
President